

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Park	County OTTAWA
Audit Date 3/31/04	Opinion Date 5/13/04	Date Accountant Report Submitted to State: 8/31/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

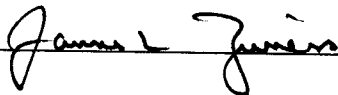
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) FERRIS, BUSSCHER & ZWIERS, P.C.			
Street Address 675 E. 16TH STREET, SUITE 100		City HOLLAND	State MI
Accountant Signature 		ZIP 49423	Date 8/31/04

TOWNSHIP OF PARK

OTTAWA COUNTY, MICHIGAN

FINANCIAL STATEMENTS

MARCH 31, 2004

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FERRIS, BUSSCHER & ZWIERS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Melvin D. Busscher, CPA
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May 13, 2004

Township Board
Township of Park
Ottawa County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general purpose financial statements of the Township of Park, Ottawa County, Michigan as of and for the year ended March 31, 2004 as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Park, Ottawa County, Michigan as of March 31, 2004 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ferris Busscher & Zwiars
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Certified Public Accountants
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GENERAL PURPOSE FINANCIAL STATEMENTS

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

ASSETS	Governmental Fund Types	
	General	Capital Projects
Cash and equivalents	\$ 1,585,541	\$ 1,121,903
Investments, at cost	3,378,458	1,450,000
Receivables		
Special assessments		
Current	3,155	71,771
Deferred	3,025	466,616
Miscellaneous	10,271	-
Interest	39,701	18,683
Taxes	-	-
Due from other funds	72,412	-
Due from other government entities	165,462	2,665
Fixed assets	-	-
	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,258,025</u>	<u>\$ 3,131,638</u>
LIABILITIES		
Accounts payable	\$ 63,581	\$ -
Due to other funds	-	-
Due to other government entities	-	-
Deferred revenue	17,842	466,616
Accrued vacation payable	38,142	-
	<u>38,142</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 119,565</u>	<u>\$ 466,616</u>
FUND EQUITY		
Investment in general fixed assets	\$ -	\$ -
Contributed capital	-	-
Retained earnings	-	-
Fund balances	-	-
Reserved	2,055,442	-
Unreserved	3,083,018	2,665,022
	<u>3,083,018</u>	<u>2,665,022</u>
TOTAL FUND EQUITY	<u>\$ 5,138,460</u>	<u>\$ 2,665,022</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,258,025</u>	<u>\$ 3,131,638</u>

See notes to financial statements

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group</u>	<u>Total (Memorandum Only)</u>
<u>Enterprise</u>	<u>Agency</u>	<u>General Fixed Assets</u>	
\$ 593,853	\$ 3,589	\$ -	\$ 3,304,886
407,000	-	-	5,235,458
34,278	-	-	109,204
135,672	-	-	605,313
97,989	-	-	108,260
7,177	-	-	65,561
-	89,872	-	89,872
-	-	-	72,412
-	86,009	-	254,136
<u>4,599,905</u>	<u>-</u>	<u>11,975,136</u>	<u>16,575,041</u>
<u>\$ 5,875,874</u>	<u>\$ 179,470</u>	<u>\$ 11,975,136</u>	<u>\$ 26,420,143</u>
\$ 69,720	\$ -	\$ -	\$ 133,301
-	72,412	-	72,412
-	107,058	-	107,058
-	-	-	484,458
<u>-</u>	<u>-</u>	<u>-</u>	<u>38,142</u>
<u>\$ 69,720</u>	<u>\$ 179,470</u>	<u>\$ -</u>	<u>\$ 835,371</u>
\$ -	\$ -	\$ 11,975,136	\$ 11,975,136
4,380,427	-	-	4,380,427
1,425,727	-	-	1,425,727
-	-	-	2,055,442
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,748,040</u>
<u>\$ 5,806,154</u>	<u>\$ -</u>	<u>\$ 11,975,136</u>	<u>\$ 25,584,772</u>
<u>\$ 5,875,874</u>	<u>\$ 179,470</u>	<u>\$ 11,975,136</u>	<u>\$ 26,420,143</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
REVENUES			
Taxes and special assessments	\$ 1,911,722	\$ 311,176	\$ 2,222,898
Licenses and permits	198,543	-	198,543
State shared revenues	1,443,655	-	1,443,655
Charges for services	56,758	-	56,758
Recreation	104,551	-	104,551
Interest	103,685	90,593	194,278
Reimbursements	3,571	626,492	630,063
Miscellaneous	68,324	-	68,324
	<u>3,890,809</u>	<u>1,028,261</u>	<u>4,919,070</u>
TOTAL REVENUES	\$ 3,890,809	\$ 1,028,261	\$ 4,919,070
EXPENDITURES			
General government	\$ 871,024	\$ -	\$ 871,024
Public safety	1,011,100	-	1,011,100
Public works	213,649	-	213,649
Recreation	532,215	-	532,215
Other expenditures	343,130	-	343,130
Capital outlay	-	1,735,717	1,735,717
	<u>2,971,118</u>	<u>1,735,717</u>	<u>4,706,835</u>
TOTAL EXPENDITURES	\$ 2,971,118	\$ 1,735,717	\$ 4,706,835
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 919,691	\$ (707,456)	\$ 212,235
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out), net	<u>(373,580)</u>	<u>432,580</u>	<u>59,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 546,111	\$ (274,876)	\$ 271,235
FUND BALANCES - APRIL 1, 2003	<u>4,592,349</u>	<u>2,939,898</u>	<u>7,532,247</u>
FUND BALANCES - MARCH 31, 2004	<u>\$ 5,138,460</u>	<u>\$ 2,665,022</u>	<u>\$ 7,803,482</u>

See notes to financial statements

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes and special assessments	\$ 1,798,500	\$ 1,911,722	\$ 113,222
Licenses and permits	191,000	198,543	7,543
State shared revenues	1,331,600	1,443,655	112,055
Charges for services	48,000	56,758	8,758
Recreation	102,500	104,551	2,051
Interest	32,000	103,685	71,685
Reimbursements	33,500	3,571	(29,929)
Miscellaneous	82,900	68,324	(14,576)
TOTAL REVENUES	<u>\$ 3,620,000</u>	<u>\$ 3,890,809</u>	<u>\$ 270,809</u>
EXPENDITURES			
General government	\$ 919,920	\$ 871,024	\$ 48,896
Public safety	1,004,200	1,011,100	(6,900)
Public works	220,600	213,649	6,951
Recreation	580,100	532,215	47,885
Other expenditures	371,600	343,130	28,470
TOTAL EXPENDITURES	<u>\$ 3,096,420</u>	<u>\$ 2,971,118</u>	<u>\$ 125,302</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 523,580</u>	<u>\$ 919,691</u>	<u>\$ 396,111</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 59,000	\$ 59,000	\$ -
Operating transfers out	(432,580)	(432,580)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (373,580)</u>	<u>\$ (373,580)</u>	<u>\$ -</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 150,000</u>	<u>\$ 546,111</u>	<u>\$ 396,111</u>
FUND BALANCE - APRIL 1, 2003	<u>4,592,349</u>	<u>4,592,349</u>	<u>-</u>
FUND BALANCE - MARCH 31, 2004	<u>\$ 4,742,349</u>	<u>\$ 5,138,460</u>	<u>\$ 396,111</u>

See notes to financial statements

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED
EARNINGS - ALL PROPRIETARY FUND TYPES
YEAR ENDED MARCH 31, 2004

	Enterprise <u>Fund</u>
OPERATING REVENUES	
Water billings	\$ 818,781
Water connection charges	16,230
Plan review and inspection charges	12,401
Miscellaneous	<u>100</u>
TOTAL OPERATING REVENUES	<u>\$ 847,512</u>
OPERATING EXPENSES	
Purchase of water	\$ 541,950
Hydrants	31,173
Utilities	4,665
Water connections, repairs and maintenance	80,526
Operating fees	152,791
Supplies	4,077
Professional services	13,015
Depreciation	187,944
Miscellaneous	<u>3,366</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,019,507</u>
OPERATING LOSS	\$ (171,995)
NONOPERATING REVENUES	
Interest earnings	<u>32,773</u>
LOSS BEFORE OPERATING TRANSFERS	\$ (139,222)
OPERATING TRANSFER OUT	<u>(59,000)</u>
NET LOSS	\$ (198,222)
CREDIT ARISING FROM TRANSFER OF AMORTIZATION TO DECREASE CONTRIBUTED CAPITAL	<u>184,800</u>
NET DECREASE IN RETAINED EARNINGS	\$ (13,422)
RETAINED EARNINGS - APRIL 1, 2003	<u>1,439,149</u>
RETAINED EARNINGS - MARCH 31, 2004	<u>\$ 1,425,727</u>

See notes to financial statements

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
YEAR ENDED MARCH 31, 2004

	Enterprise <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	\$ (198,222)
Noncash items included in net loss	
Depreciation	187,944
Change in operating assets and liabilities	
Increase in accounts receivable	(4,045)
Increase in interest receivable	(2,454)
Decrease in assessments receivable	44,000
Increase in accounts payable	<u>13,675</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 40,898</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Water system construction	\$ (206,909)
Contributed capital	
Residents	<u>52,746</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (154,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in investments	<u>\$ 175,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 175,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 61,735
CASH AND CASH EQUIVALENTS BALANCE - APRIL 1, 2003	<u>532,118</u>
CASH AND CASH EQUIVALENTS BALANCE - MARCH 31, 2004	<u>\$ 593,853</u>

See notes to financial statements

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township was organized in 1915 and covers an area of approximately 20 square miles. The Township operates under an elected Board of Trustees (7 members) and provides services to its more than 18,500 residents in many areas including law enforcement, fire protection, community enrichment and development and human services. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. FUNDS AND ACCOUNT GROUPS

The accounts of the Township are organized into funds and account groups, each of which is considered to be a separate accounting entity. The major fund categories and account groups are as follows:

Governmental Funds

General Fund – This fund is the general operating fund of the Township. All financial resources, except those required to be accounted for in another fund, are accounted for in the general fund. The fund includes the general operating expenditures of the local unit.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds.

Proprietary Funds

Enterprise Funds – These funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs of providing water services to the general public on a continuing basis are financed through user charges. Since the Township has only one enterprise fund, no presentation is shown within the individual fund section of the annual report. The enterprise fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Agency Funds – These funds are used to account for assets held by the Township in an agency capacity. Agency funds are custodial in nature and do not involve measurement of results of operations.

Account Groups

General Fixed Assets – This account group is used to account for fixed assets which are not accounted for in the respective governmental funds. All fixed assets are valued at historical cost. No depreciation is recorded on general fixed assets.

B. FIXED ASSETS

General Fixed Assets Account Group

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain (“infrastructure”) general fixed assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized. No depreciation has been provided on such assets. Interest has been capitalized on fixed assets acquired or constructed with debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until the completion of the project with interest earned on invested proceeds over the same period. During the year ended March 31, 2004, no interest was capitalized.

Enterprise Funds

Property, plant and equipment of enterprise funds are recorded at historical cost. Depreciation is computed by the straight-line method based on the estimated useful lives of the respective assets. Expenditures for maintenance and repairs are charged to expense as incurred whereas major additions are capitalized. Water mains are being depreciated over an estimated useful life of 40 years.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds are accounted for using the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenue when both “measurable and available”.

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

“Measurable” means the amount can be determined and “available” means collectible within the current period (60 days) or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. Major revenue sources susceptible to accrual include: property taxes, special assessments, intergovernmental revenues and investment income.

Proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred.

D. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents are defined as demand deposits, money market funds, and short-term investments with maturity of three months or less when acquired.

E. PROPERTY TAXES

Property taxes for the Township are levied December 1 and are payable on February 15. The Township bills and collects its own property taxes and also taxes for the county and local school districts. Property tax revenues are recognized when levied to the extent that they result in current receivables. Delinquent taxes are received by Ottawa County. Collection of all taxes are accounted for in the agency fund.

F. COMPENSATED ABSENCES

Full-time, non-elected, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Township. Sick leave accrues to full-time, non-elected, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

G. TOTAL COLUMNS

Total columns on the combined statements are captioned “memorandum only” to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – LEGAL COMPLIANCE

Budget Information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them. The Township uses the activity form of budgeting.
- b. The proposed budget is on file for public inspection in the office of the Township clerk for a period of not less than one week prior to adoption.
- c. A public hearing regarding the proposed budget is held before the budget is legally adopted by resolution.
- d. Formal budget integration is employed as a management control device during the year for the general fund as required by state law. During the fiscal year ended March 31, 2004, the original appropriated general fund budget was amended by action of the Township Board. The general fund budget information presented in these financial statements is the final amended budget for the year ended March 31, 2004.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, P.A. 2 of 1968, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis as per the adopted budgets. During the year ended March 31, 2004, the Township incurred expenditures over budgeted amounts as follows:

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 2 – LEGAL COMPLIANCE (CONTINUED)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General Government			
Assessor	\$ 129,800	\$ 135,332	\$ (5,532)
Township office and computers	196,000	218,432	(22,432)
Public Safety			
Police protection	432,000	438,896	(6,896)
Building, plumbing, electrical and mechanical inspections	213,900	225,496	(11,596)
Recreation			
Recreation department	93,000	96,683	(3,683)

NOTE 3 – CASH AND INVESTMENTS

The Township maintains its deposits and investments at Michigan depository institutions.

The Township's investment policies are governed by State of Michigan statutes, formal board policy and administrative procedures. Permissible investments include Michigan financial institution certificates of deposit, certain investment funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan, and bonds and other direct obligations of the United States Government. The term of investments and financial institutions used for investment purposes are determined based upon the Township's needs.

At March 31, 2004, the carrying amount of the Township's deposits was \$3,304,886 and the bank balance was \$3,422,369. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at March 31, 2004. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Uncollateralized

Deposits, categorized by level of risk, are:

<u>Category</u>	<u>Amount</u>
1	\$ 62,961
2	-
3	<u>3,359,408</u>
Total bank balance	<u>\$3,422,369</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Investments held by the Township at March 31, 2004 included certificates of deposit and short-term investment funds for local units of government. At March 31, 2004, the carrying amount of the Township's investments was \$5,235,458 and the bank balance was \$5,274,683. Of the bank balance, \$410,000 was covered by federal depository insurance and \$4,864,683 was uninsured and uncollateralized.

NOTE 4 – FIXED ASSETS

The following is a summary of changes in the general fixed assets account group for the fiscal year ended March 31, 2004:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land	\$ 1,860,431	\$ 6,500	\$ -	\$ 1,866,931
Land improvements	2,141,646	276,902	(22,529)	2,396,019
Buildings and improvements	1,941,112	498,242	(37,219)	2,402,135
Machinery and equipment	1,619,472	-	(38,165)	1,581,307
Sewer system	<u>3,034,705</u>	<u>694,039</u>	<u>-</u>	<u>3,728,744</u>
TOTAL	<u>\$10,597,366</u>	<u>\$1,475,683</u>	<u>\$ (97,913)</u>	<u>\$11,975,136</u>

The following is a summary of proprietary fund fixed assets at March 31, 2004:

	Water System
Cost	\$7,596,654
Less Accumulated Depreciation	<u>(2,996,749)</u>
Net Property, Plant and Equipment	<u>\$4,599,905</u>

In regards to proprietary fund fixed assets, depreciation expense was \$187,944 for the year ended March 31, 2004.

NOTE 5 – LEASE AGREEMENTS

The Township leases certain property to the Ottawa County Fair Association on a 15-year lease commencing April 1, 1991, with rent at \$1,500 per year. The Township also leases its airport facilities to Ottawa Aviation, Inc. on a 20-year lease ending in December 2012 and requiring annual payments of \$1,800 per year. Rental income under these arrangements was \$3,300 for the year ended March 31, 2004.

The Township leases certain real estate adjacent to Pine Creek from Beechwood Reformed Church for the construction, maintenance and public use of a nature trail and walkway. The term of the lease is for 30 years beginning in 2000. The lease required only a single payment of \$10,000 at inception with no additional

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 5 – LEASE AGREEMENTS (CONTINUED)

payments required during the 30 year lease period. Upon expiration of the initial term, absent the Church and Township negotiating and reaching a separate agreement regarding the property, the lease shall renew on a year-to-year basis for \$2,500 per year. After the 30 year term has expired, either party may terminate the arrangement with six months written notice.

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 72,412	Agency Fund	\$ 72,412
Total	\$ 72,412	Total	\$ 72,412

NOTE 7 – PENSION PLAN

The Township sponsors a money purchase retirement plan for all full-time employees who have attained the age of 20 ½ and have completed 1 ½ years of service. This plan is funded by current payments to a life insurance trust. The retirement plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account and the returns earned on investment of those contributions. Contributions to the plan are made by the Township based upon 13.4% of each employee's annual earnings. Total covered payroll for the Township's year ending March 31, 2004 was \$547,516 and total payroll for the Township's year ending March 31, 2004 was \$961,777. Employees are vested immediately upon entering the plan. Employer contributions for the year ended March 31, 2004 totaled \$73,370.

The Township also offers its employees a deferred compensation plan. The plan is available to all Township employees and permits them to defer a portion of their current salary until future years. Deferred compensation is not available to the employees until termination, retirement, death or financial hardship. Employee contributions for the year ended March 31, 2004 totaled \$6,180.

NOTE 8 – POST EMPLOYMENT HEALTH CARE BENEFITS

The Township provides post employment health care benefits to retired employees. Eligible recipients include all full-time elected and non-elected employees of the Township with a minimum of 10 years of service and a minimum age of 62, or have a combined age and years of service totaling 80 and a minimum age of 55. Retirement health insurance will not be available to an employee not employed by the Township until at least age 55 or having health insurance available through another employer. The Township's funded portion will be calculated at 3% of their applicable premium per year of service for primary coverage until eligible for Medicare at which time the Township funded portion will be calculated at 3% of supplemental coverage premium per year of service. These benefits were established by action of the Township Board and

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 8 – POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

will be accounted for and financed on a pay-as-you-go basis as the Township makes monthly premium payments to its regular health insurance provider. As of March 31, 2004, two retirees received such post employment benefits. During the fiscal year ended March 31, 2004, expenditures of \$11,209 were recognized for post employment health care benefits, net of \$8,825 contributed by the retirees.

NOTE 9 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for all of the above mentioned types of risks.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 10 – GENERAL FUND RESERVED FUND BALANCE

The general fund reserved fund balance at March 31, 2004 consists of the following:

Reserved for	
Bicycle paths	\$ 359,829
Parks	1,217,457
Police protection	477,156
Disaster	<u>1,000</u>
Total Reserved Fund Balance	<u>\$ 2,055,442</u>

NOTE 11 – SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township utilizes the optional method as stated in NCGA Statement 2 and amortizes contributed capital over the useful life of the assets to which it relates. The use of this method is based on the premise that future replacement of these assets will be funded by the users who benefit from the assets and not by current users through the current rate structure.

Changes in contributed capital for the year ended March 31, 2004, consist of the following:

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 11 – SEGMENT INFORMATION FOR ENTERPRISE FUND (CONTINUED)

	<u>Water</u>
Contributed Capital	
Balance, March 31, 2003	\$ 7,339,250
Add current year contributions	\$ 52,746
Less accumulated amortization	
Balance, April 1, 2003	\$ 2,826,769
Add current year amortization	184,800
Balance, March 31, 2004	\$ 3,011,569
Contributed Capital, Net of Amortization	\$ 4,380,427

The Township grants credit to its residential, commercial and industrial customers located throughout the Township.

The Township maintains one enterprise fund that provides water services. Segment information for the year ended March 31, 2004 was as follows:

	<u>Water</u>
Operating revenue	\$ 847,512
Operating income (loss)	(171,995)
Non-operating revenue (expenses)	
Other	32,773
Other financing sources (uses)	
Operating transfers out	(59,000)
Net income (loss)	(198,222)
Current year capital contributions	52,746
Land, buildings and equipment	
Additions	206,909
Deletions	-
Depreciation expense	187,944
Net working capital	1,070,577
Long-term debt	-
Total assets	5,875,874
Equity	
Contributed capital	4,380,427
Retained earnings	1,425,727

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Township of Park has entered into two contracts providing for the acquisition, construction and financing of improvements to the Wyoming Water Supply System. The full faith and credit of the Township of Park have been pledged in the making of the payments to Ottawa County, issuer of the bonds. The 1995 bonds require amounts equal to 2.35%, and the 2002 bonds require amounts equal 4.16% of the principal amount of the bonds actually issued and the interest thereon. The total principal outstanding on the 1995 bonds was \$2,790,000 at March 31, 2004. The total principal outstanding on the 2002 bonds was \$6,500,000 at March 31, 2004.

The Township of Park has entered into a contract providing for the acquisition, construction and financing of improvements to the City of Holland Waste Water Treatment Plant. The full faith and credit of the Township of Park have been pledged in the contract for the making of payments to Ottawa County, the issuer of the bonds, in amounts sufficient to pay 7.49% of the principal amount of the bonds actually issued and the interest thereon. The total principal outstanding on the 1994 bonds was \$8,310,000 at March 31, 2004.

ADDITIONAL INFORMATION

May 13, 2004

Township Board
Township of Park
Ottawa County, Michigan

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

We have audited the general purpose financial statements of the Township of Park, Ottawa County, Michigan for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Park, Ottawa County, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Ferris, Busscher & Zwiars
FERRIS, BUSSCHER & ZWIERS, P.C.
Certified Public Accountants
Holland, Michigan

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
GENERAL FUND
BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash	\$ 1,585,541
Investments, at cost	3,378,458
Receivables	
Special Assessments	
Current	3,155
Deferred	3,025
Miscellaneous	10,271
Interest	39,701
Due from State of Michigan	165,462
Due from agency fund	<u>72,412</u>
 TOTAL ASSETS	 <u>\$ 5,258,025</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 63,581
Deferred revenue	17,842
Accrued vacation payable	<u>38,142</u>
 TOTAL LIABILITIES	 <u>\$ 119,565</u>
 Fund balance	
Reserved for	
Bicycle paths	\$ 359,829
Parks	1,217,457
Police protection	477,156
Disaster	1,000
Unreserved	<u>3,083,018</u>
 TOTAL FUND BALANCE	 <u>\$ 5,138,460</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 5,258,025</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Taxes and special assessments	\$ 1,798,500	\$ 1,911,722	\$ 113,222
Licenses and permits	191,000	198,543	7,543
State shared revenues	1,331,600	1,443,655	112,055
Charges for services	48,000	56,758	8,758
Recreation	102,500	104,551	2,051
Interest	32,000	103,685	71,685
Reimbursements	33,500	3,571	(29,929)
Miscellaneous	<u>82,900</u>	<u>68,324</u>	<u>(14,576)</u>
TOTAL REVENUES	<u>\$ 3,620,000</u>	<u>\$ 3,890,809</u>	<u>\$ 270,809</u>
EXPENDITURES			
General government	\$ 919,920	\$ 871,024	\$ 48,896
Public safety	1,004,200	1,011,100	(6,900)
Public works	220,600	213,649	6,951
Recreation	580,100	532,215	47,885
Other expenditures	<u>371,600</u>	<u>343,130</u>	<u>28,470</u>
TOTAL EXPENDITURES	<u>\$ 3,096,420</u>	<u>\$ 2,971,118</u>	<u>\$ 125,302</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 523,580</u>	<u>\$ 919,691</u>	<u>\$ 396,111</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 59,000	\$ 59,000	\$ -
Operating transfers out	<u>(432,580)</u>	<u>(432,580)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (373,580)</u>	<u>\$ (373,580)</u>	<u>\$ -</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 150,000</u>	<u>\$ 546,111</u>	<u>\$ 396,111</u>
FUND BALANCE - APRIL 1, 2003	<u>4,592,349</u>	<u>4,592,349</u>	<u>-</u>
FUND BALANCE - MARCH 31, 2004	<u>\$ 4,742,349</u>	<u>\$ 5,138,460</u>	<u>\$ 396,111</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT			
Board of Trustees	\$ 13,000	\$ 12,825	\$ 175
Supervisor	64,080	64,080	-
Elections	500	338	162
Auditing fees	12,000	11,849	151
Assessor	129,800	135,332	(5,532)
Legal fees	102,000	93,353	8,647
Clerk	45,120	19,740	25,380
Board of review	3,000	1,566	1,434
Community services	98,000	91,086	6,914
Treasurer	45,120	45,120	-
Township office and computers	196,000	218,432	(22,432)
Township property	168,900	141,162	27,738
Cemetery	42,400	36,141	6,259
TOTAL GENERAL GOVERNMENT	<u>\$ 919,920</u>	<u>\$ 871,024</u>	<u>\$ 48,896</u>
PUBLIC SAFETY			
Police protection	\$ 432,000	\$ 438,896	\$ (6,896)
Liquor inspections	1,800	1,800	-
Fire department	324,000	317,064	6,936
Building, plumbing, electrical and mechanical inspections	213,900	225,496	(11,596)
Planning and zoning	32,500	27,844	4,656
TOTAL PUBLIC SAFETY	<u>\$ 1,004,200</u>	<u>\$ 1,011,100</u>	<u>\$ (6,900)</u>
PUBLIC WORKS			
Highways and streets	\$ 100,000	\$ 97,396	\$ 2,604
Drains at large	12,600	11,216	1,384
Engineering	10,000	9,583	417
Street lights	98,000	95,454	2,546
TOTAL PUBLIC WORKS	<u>\$ 220,600</u>	<u>\$ 213,649</u>	<u>\$ 6,951</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET (CONTINUED)
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
RECREATION			
Recreation department	\$ 93,000	\$ 96,683	\$ (3,683)
Parks	116,100	85,256	30,844
Tot Time	20,500	19,297	1,203
Bicycle paths	<u>350,500</u>	<u>330,979</u>	<u>19,521</u>
TOTAL RECREATION	\$ <u>580,100</u>	\$ <u>532,215</u>	\$ <u>47,885</u>
OTHER EXPENDITURES			
Employee benefits	\$ 302,000	\$ 274,524	\$ 27,476
Insurance	<u>69,600</u>	<u>68,606</u>	<u>994</u>
TOTAL OTHER EXPENDITURES	\$ <u>371,600</u>	\$ <u>343,130</u>	\$ <u>28,470</u>
TOTAL EXPENDITURES	<u>\$ 3,096,420</u>	<u>\$ 2,971,118</u>	<u>\$ 125,302</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
CAPITAL PROJECTS FUNDS
BALANCE SHEET
MARCH 31, 2004

ASSETS	Township Improvement <u>Fund</u>	Sewer System <u>Fund</u>	<u>Totals</u>
Cash	\$ 669,956	\$ 451,947	\$ 1,121,903
Investments, at cost	750,000	700,000	1,450,000
Receivables			
Special assessments			
Current	-	71,771	71,771
Deferred	-	466,616	466,616
Interest	17,543	1,140	18,683
Due from other government entity	<u>2,665</u>	<u>-</u>	<u>2,665</u>
 TOTAL ASSETS	 <u>\$ 1,440,164</u>	 <u>\$ 1,691,474</u>	 <u>\$ 3,131,638</u>
 LIABILITIES AND FUND BALANCES			
 Deferred revenue	 <u>\$ -</u>	 <u>\$ 466,616</u>	 <u>\$ 466,616</u>
 TOTAL LIABILITIES	 <u>\$ -</u>	 <u>\$ 466,616</u>	 <u>\$ 466,616</u>
 Fund balances	 <u>1,440,164</u>	 <u>1,224,858</u>	 <u>2,665,022</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,440,164</u>	 <u>\$ 1,691,474</u>	 <u>\$ 3,131,638</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2004

	Township Improvement <u>Fund</u>	Sewer System <u>Fund</u>	<u>Totals</u>
REVENUES			
Special assessments	\$ -	\$ 311,176	\$ 311,176
Interest earned on assessments	-	47,490	47,490
Interest earned on investments	24,423	18,680	43,103
Reimbursements	<u>533,991</u>	<u>92,501</u>	<u>626,492</u>
TOTAL REVENUES	<u>\$ 558,414</u>	<u>\$ 469,847</u>	<u>\$ 1,028,261</u>
EXPENDITURES			
Sewer system improvements	\$ -	\$ 707,194	\$ 707,194
Building improvements	<u>1,028,523</u>	<u>-</u>	<u>1,028,523</u>
TOTAL EXPENDITURES	<u>\$ 1,028,523</u>	<u>\$ 707,194</u>	<u>\$ 1,735,717</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ (470,109)</u>	<u>\$ (237,347)</u>	<u>\$ (707,456)</u>
OTHER FINANCING SOURCES			
Operating transfers in	<u>\$ 432,580</u>	<u>\$ -</u>	<u>\$ 432,580</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES	<u>\$ (37,529)</u>	<u>\$ (237,347)</u>	<u>\$ (274,876)</u>
FUND BALANCES - APRIL 1, 2003	<u>1,477,693</u>	<u>1,462,205</u>	<u>2,939,898</u>
FUND BALANCES - MARCH 31, 2004	<u>\$ 1,440,164</u>	<u>\$ 1,224,858</u>	<u>\$ 2,665,022</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MARCH 31, 2004

CURRENT TAX COLLECTION FUND

	Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2004</u>
ASSETS				
Cash and investments	\$ 108,204	\$ 19,137,540	\$ 19,242,155	\$ 3,589
Taxes receivable	88,232	89,872	88,232	89,872
Due from county	<u>83,220</u>	<u>86,009</u>	<u>83,220</u>	<u>86,009</u>
TOTAL ASSETS	<u>\$ 279,656</u>	<u>\$ 19,313,421</u>	<u>\$ 19,413,607</u>	<u>\$ 179,470</u>
LIABILITIES				
Due to general fund	\$ 170,011	\$ 72,412	\$ 170,011	\$ 72,412
Due to other governmental entities	<u>109,645</u>	<u>107,058</u>	<u>109,645</u>	<u>107,058</u>
TOTAL LIABILITIES	<u>\$ 279,656</u>	<u>\$ 179,470</u>	<u>\$ 279,656</u>	<u>\$ 179,470</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
GENERAL FIXED ASSETS GROUP OF ACCOUNTS
STATEMENT OF GENERAL FIXED ASSETS
MARCH 31, 2004

GENERAL FIXED ASSETS

Land	\$ 1,866,931
Land improvements	2,396,019
Buildings and improvements	2,402,135
Machinery and equipment	1,581,307
Sewer system	<u>3,728,744</u>

TOTAL GENERAL FIXED ASSETS	<u>\$ 11,975,136</u>
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INVESTMENT IN GENERAL FIXED ASSETS (WITHOUT
ALLOCATION AS TO SOURCE)

<u>\$ 11,975,136</u>

TOWNSHIP OF PARK
OTTAWA COUNTY, MICHIGAN
SCHEDULE OF REVENUES AND EXPENSES FOR
THE BUILDING INSPECTIONS DEPARTMENT IN ACCORDANCE WITH
STATE OF MICHIGAN PUBLIC ACT 245 OF 1999
YEAR ENDED MARCH 31, 2004

REVENUES

Inspection fees	
Building	\$ 112,573
Plumbing	25,165
Electrical	29,910
Mechanical	<u>30,555</u>

TOTAL REVENUES	<u>\$ 198,203</u>
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EXPENDITURES

Wages and contract labor	\$ 231,765
Fringe benefits	14,788
Mileage	829
Office expenses	<u>7,457</u>

TOTAL EXPENDITURES	<u>\$ 254,839</u>
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DEFICIENCY OF REVENUES UNDER EXPENDITURES	\$ (56,636)
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CUMULATIVE DEFICIENCY OF REVENUES UNDER EXPENDITURES MARCH 31, 2003	<u>(101,653)</u>
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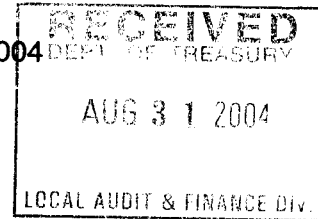
CUMULATIVE DEFICIENCY OF REVENUES UNDER EXPENDITURES MARCH 31, 2004	<u>\$ (158,289)</u>
--	---------------------



FERRIS, BUSSCHER & ZWIERS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

Melvin D. Busscher, CPA
James L. Zwiers, CPA, MBA
William D. Borgman, CPA, MST
Douglas W. Rotman, CPA

May 13, 2004



Township Board
Township of Park
Holland, Michigan

Board Members:

Thank you for the opportunity to be of service to you in performing an audit of the financial statements of the Township of Park for the year ended March 31, 2004.

In planning and performing our audit of the financial statements of the Township of Park, for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township of Park's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors or fraud may occur and not be detected by such controls.

Reportable Conditions

Invoice Approval

Virtually all Township expenditures are subject to effective internal controls, including Board approval and multiple check signers (see below). During our audit we noted that, in some cases, the individuals responsible for reviewing disbursements were merely approving a check itself or a listing of checks, and not the supporting invoice. In order to maximize the benefits of supervisory approval, we recommend that at least one level of review include an examination of the invoice or other supporting documents.

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Phone: (616) 392-8534
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www.fbzcpa.com

An independent member of BKR International

Signature Stamps

All of the Township's disbursements require multiple signatures to be valid. This is an effective internal control because it serves as unequivocal documented evidence that more than one individual has authorized each payment. The integrity of this control (in addition to the ethical and legal ramifications) is dependent upon the certainty that each signer has, in fact, signed/stamped their own name. Organizations such as the Township that utilize signature stamps should implement additional procedures to ensure that this essential control is not overridden for the sake of convenience. Under no circumstances should anyone other than the signer actually apply his or her stamp, even if that person is temporarily out of the office or on vacation. Each signer should maintain custody of his or her own stamp and both the stamps and blank checks should be kept in a secure location. This will diminish the possibility that someone (employee or otherwise) could make an unauthorized disbursement. While we did not note any specific instances of abuse, it did not appear that the Township's policies regarding use and storage of the signature stamps and blank checks was consistently applied or widely understood.

Accrual Basis Financial Reporting

The Township is required to present its year-end financial results and annual budgets on a modified accrual basis in accordance with Generally Accepted Accounting Principles. This means that revenues and expenses are recorded when they are earned or incurred rather than when the cash payments are received or disbursed. During the year, the Township generally maintains its records on a cash basis by recording transactions when the cash is received and as payments are made. In conjunction with the year-end audit, we assist the Township in preparing the necessary journal entries to make the conversion to accrual basis. These adjustments often include the following items: Paid vacation, Tax receivables, Grant revenue and Accounts payable. We recommend that the Township consider making modified accrual entries on a monthly basis to ensure that the interim financial data is in accordance with Generally Accepted Accounting Principles and materially consistent with the year-end presentation.

Sub-Ledger Reconciliations

During our audit we noted that some of the Township's various sub-ledgers for tracking activities such as water billing, recreation revenue and permit fees were not timely reconciled to the General Ledger. We recommend that, on a monthly basis, all sub-ledgers be reconciled to cash receipts and the General Ledger to ensure that all activity has been recorded in the proper period. Doing so will increase the likelihood that a clerical error or misappropriation of funds will be detected as soon as possible.

Other Comments and Recommendations

Segregation of Duties

The Township currently divides certain duties between the Treasurer and Clerk in an effort to strengthen internal controls. The Clerk is responsible for processing cash disbursements and maintaining the general ledger for the General Fund. The Treasurer is responsible for cash receipts and investments for all funds as well as maintaining the general ledger and processing disbursements for the non-General funds.

Effective segregation of duties occurs when the following functions are divided among different individuals (examples in parentheses):

- Custody of assets (receiving cash, making deposits).
- Recording transactions in the General Ledger (bank reconciliations, posting journal entries, preparing disbursements).
- Authorization and approval (reviewing reconciliations or journal entries, additional check signers, approving invoices for payment).

While the Township has implemented a number of effective internal controls through the segregation of certain duties, we have noted that many of the responsibilities are divided by Fund rather than by function. For example, the Clerk performs multiple functions for the General Fund, including maintaining the general ledger (Reconciling), approving invoices and signing/stamping checks (Authorization and Custody). The Treasurer performs the same duties for the non-General funds in addition to receiving, investing and reconciling the cash accounts. Within the Township's statutory limits, we recommend that the Board consider how the various functions can be divided to maintain an appropriate level of checks and balances over all funds.

General Ledger Account Numbers

We noted that the account numbers used in the Peach Tree general ledger does not conform to the State mandated chart of accounts. We recommend that the Township change its account numbers, and account descriptions if necessary, to comply with the statutory requirements. The Peach Tree software should provide a mechanism for changing the account numbers without disrupting the underlying data.

New Reporting Requirements

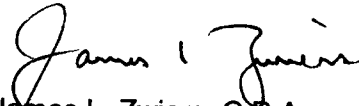
During 1999, the Governmental Accounting Standards Board issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34). This statement establishes new financial reporting requirements for state and local governments throughout the United States. The new requirements will be effective for the Township's fiscal year ended March 31, 2005. Based on our preliminary analysis of the statement's impact on the Township, we do not believe that any specific steps need to be taken until next year's audit. At that time, we will assist you in understanding and complying with the new reporting requirements.

This report is intended solely for the information and use of the Township of Park and management and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the Board for the opportunity to work with the Township of Park and look forward to serving you in the future. If you have any questions regarding the financial statements or this letter, we would be pleased to discuss them with you.

Sincerely,

FERRIS, BUSSCHER & ZWIERS, P.C.


James L. Zwiers, C.P.A.

JLZ/kc